

ORDINANCE _____

AN ORDINANCE authorizing the Superintendent of Parks and Recreation to execute and accept from the State of Washington, Department of Natural Resources, (DNR) on behalf of the City of Seattle an Aquatic Lands Lease for the Seattle Aquarium; and ratifying and confirming certain prior acts.

WHEREAS, the Seattle Aquarium was established in 1977 on lands of the City of Seattle and the DNR to serve the residents of the City of Seattle and visitors; and

WHEREAS, the Seattle Aquarium's lease with DNR expired in 2005 and the City has occupied the site continuously since that time as a carry-over tenant; and

WHEREAS, recent improvements at the Aquarium have changed the configuration of the DNR occupied areas, both increasing those areas and changing some uses of portions of the leased property; and

WHEREAS, the City and DNR have negotiated a new lease that will acknowledge the changes of use and new configuration as well as provide for long term security for the Aquarium's use of the DNR property; **NOW THEREFORE,**

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Superintendent of Parks and Recreation ("Superintendent") or his designee is hereby authorized, on behalf of the City of Seattle ("City"), to execute a Lease agreement ("Lease") substantially in the form of Attachment 1 and identified as "Aquatic Lands Lease" with the State of Washington, Department of Natural Resources and authorizing the City to use the property as a public Aquarium providing recreational and educational opportunities for all citizens and visitors to the region. The facility will contain exhibits and interpretive material, administrative and mechanical and support uses. The facility will also house ancillary recreational uses such as a food service and souvenir shop.

Section 2. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

Section 3. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by a three-fourths (3/4) vote of all the members of the City Council the ____ day of _____, 2013, and signed by me in open session in authentication of its passage this ____ day of _____, 2013.

President _____ of the City Council

Approved by me this ____ day of _____, 2013.

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2013.

Monica Martinez Simmons, City Clerk

(Seal)

Attachment 1: Aquatic Lands Lease

When recorded, return to:
Seattle Department of Parks and Recreation
100 Dexter Ave N
Seattle, WA 98109



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Peter Goldmark - Commissioner of Public Lands

AQUATIC LANDS LEASE

Lease No. 22-080795

Grantor: Washington State Department of Natural Resources
Tenant(s): Seattle Department of Parks and Recreation
Legal Description: Section 31, Township 25 North, Range 4, W.M.
Assessor's Property Tax Parcel or Account Number: Not Applicable
Assessor's Property Tax Parcel or Account Number for Upland parcel used in conjunction with this lease: 766620-2420

THIS LEASE is between the STATE OF WASHINGTON, acting through the Department of Natural Resources ("State"), and SEATTLE DEPARTMENT OF PARKS AND RECREATION, a government agency/entity, ("Tenant").

BACKGROUND

Tenant desires to lease the aquatic lands commonly known as Elliott Bay, which is a harbor area located in King County, Washington, from State, and State desires to lease the property to Tenant pursuant to the terms and conditions of this Lease. State has authority to enter Lease under Chapter 43.12, Chapter 43.30 and Title 79 of the Revised Code of Washington (RCW).

THEREFORE, the Parties agree as follows:

SECTION 1 PROPERTY

1.1 Property Defined.

- (a) State leases to Tenant and Tenant leases from State the real property described in Exhibit A together with all the rights of State, if any, to improvements on and easements benefiting the Property, but subject to the exceptions and restrictions set forth in this Lease (collectively the "Property").
- (b) This Lease is subject to all valid interests of third parties noted in the records of King County, or on file in the Office of the Commissioner of Public Lands, Olympia, Washington; rights of the public under the Public Trust Doctrine or federal navigation servitude; and treaty rights of Indian Tribes.
- (c) This Lease does not include a right to harvest, collect or damage natural resources, including aquatic life or living plants; water rights; mineral rights; or a right to excavate or withdraw sand, gravel, or other valuable materials.
- (d) State reserves the right to grant easements and other land uses on the Property to others when the easement or other land uses will not interfere unreasonably with the Permitted Use.

1.2 Survey and Property Descriptions.

- (a) Tenant prepared Exhibit A, which describes the Property. Tenant warrants that Exhibit A is a true and accurate description of the Lease boundaries and the improvements to be constructed or already existing in the Lease area. Tenant's obligation to provide a true and accurate description of the Property boundaries is a material term of this Lease.
- (b) State's acceptance of Exhibit A does not constitute agreement that Tenant's property description accurately reflects the actual amount of land used by Tenant. State reserves the right to retroactively adjust rent if at any time during the term of the Lease State discovers a discrepancy between Tenant's property description and the area actually used by Tenant.

1.3 Inspection. State makes no representation regarding the condition of the Property, improvements located on the Property, the suitability of the Property for Tenant's Permitted Use, compliance with governmental laws and regulations, availability of utility rights, access to the Property, or the existence of hazardous substances on the Property. Tenant inspected the Property and accepts it "AS IS."

SECTION 2 USE

2.1 Permitted Use. Tenant shall use the Property for the Seattle Aquarium, (the "Permitted Use"), and for no other purpose, which operates and maintains structures designed to contain fish, other aquatic animals and plants for public display. The facility includes two buildings and concrete and wooden decking. This is a mixed use, currently with 77,518 square feet of public access use and 19,576 square feet of nonwater-dependent use which includes multiple floors within the building. Exhibit B describes the Permitted Use in detail. The Permitted Use is subject to additional obligations in Exhibit B.

2.2 Restrictions on Permitted Use and Operations. The following limitations apply to the Property and adjacent state-owned aquatic land. Tenant's compliance with the following does not limit Tenant's liability under any other provision of this Lease.

- (a) Tenant shall not cause or permit:
 - (1) Damage to natural resources,
 - (2) Waste, or
 - (3) Deposit of material, unless approved by State in writing. This prohibition includes deposit of fill, rock, earth, ballast, wood waste, refuse, garbage, waste matter, pollutants of any type, or other matter.
- (b) Tenant shall not cause or permit scour or damage to aquatic land and vegetation. This prohibition includes the following limitations:
 - (1) Tenant shall not use or allow use of a pressure washer to clean underwater surfaces unless the water is deeper than seven (7) feet at the time.
 - (2) If anchoring, Tenant shall use and shall require use of anchor lines with midline floats.
- (c) Tenant shall not install fixed breakwaters.
- (d) Tenant shall not construct or install new covered moorage or boat houses.
- (e) Unless approved by State in writing, Tenant shall not cause or permit dredging on the Property. State will not approve dredging unless (1) required for flood control, maintenance of existing vessel traffic lanes, or maintenance of water intakes and (2) consistent with State's management plans, if any, Tenant shall maintain authorized dredge basins in a manner that prevents internal deeper pockets.
- (f) Tenant shall not allow or authorize new floating houses.

2.3 Conformance with Laws. Tenant shall, at all times, keep current and comply with all conditions and terms of permits, licenses, certificates, regulations, ordinances, statutes, and other government rules and regulations regarding Tenant's use or occupancy of the Property.

2.4 Liens and Encumbrances. Unless expressly authorized by State in writing, Tenant shall keep the Property free and clear of liens or encumbrances arising from the Permitted Use or Tenant's occupancy of the Property.

SECTION 3 TERM

3.1 Term Defined. The term of this Lease is thirty (30) years (the "Term"), beginning on the 1st day of November, 2013 (the "Commencement Date"), and ending on the 31st day of October, 2043 (the "Termination Date"), unless terminated sooner under the terms of this Lease.

3.2 Renewal of the Lease. This Lease does not provide a right of renewal. Tenant may apply for a new lease, which State has discretion to grant. Tenant must apply for a new lease at least one (1) year prior to Termination Date. State will notify Tenant within ninety (90) days of its intent to approve or deny a new Lease.

3.3 End of Term.

- (a) Upon the expiration or termination of this Lease, Tenant shall remove Tenant-Owned Improvements in accordance with Section 7, Improvements, and surrender the Property to State in the same or better condition as on the Commencement Date, reasonable wear and tear excepted.
- (b) Definition of Reasonable Wear and Tear.
 - (1) Reasonable wear and tear is deterioration resulting from the Permitted Use that has occurred without neglect, negligence, carelessness, accident, or abuse of the Property by Tenant or any other person on the premises with the permission of Tenant.
 - (2) Reasonable wear and tear does not include unauthorized deposit of material prohibited under Paragraph 2.2 regardless of whether the deposit is incidental to or the byproduct of the Permitted Use.
- (c) If Property is in worse condition, excepting for reasonable wear and tear, on the surrender date than on the Commencement Date, the following provisions apply.
 - (1) State shall provide Tenant a reasonable time to take all steps necessary to remedy the condition of the Property. State may require Tenant to enter into a right-of-entry or other use authorization prior to the Tenant entering the Property if the Lease has terminated.
 - (2) If Tenant fails to remedy the condition of the Property in a timely manner, State may take steps reasonably necessary to remedy Tenant's failure. Upon demand by State, Tenant shall pay all costs of State's remedy, including but not limited to the costs of removing and disposing of material deposited improperly on the Property, lost revenue resulting from the condition of the Property, and administrative costs associated with the State's remedy.

3.4 Holdover.

- (a) If Tenant remains in possession of the Property after the Termination Date, the occupancy will not be an extension or renewal of the Term. The occupancy will be a month-to-month tenancy, on terms identical to the terms of this Lease, which either Party may terminate on thirty (30) days' written notice.
 - (1) The monthly rent during the holdover will be the same rent that would be due if the Lease were still in effect and all adjustments in rent were made in accordance with its terms.
 - (2) Payment of more than the monthly rent will not be construed to create a periodic tenancy longer than month-to-month. If Tenant pays more than the monthly rent and State provides notice to vacate the property, State shall refund the amount of excess payment remaining after the Tenant ceases occupation of the Property.
- (b) If State notifies Tenant to vacate the Property and Tenant fails to do so within the time set forth in the notice, Tenant will be a trespasser and shall owe the State all amounts due under RCW 79.02.300 or other applicable law.

SECTION 4 RENT

4.1 Annual Rent.

- (a) Until adjusted as set forth below, Tenant shall pay to State an annual rent of Seventy Four Thousand Three Hundred Eighty Eight Dollars and Eighty Cents (\$74,388.80), consisting of Zero Dollars (\$0.00) related to the public access use and Seventy Four Thousand Three Hundred Eighty Eight Dollars and Eighty Cents (\$74,388.80) related to the nonwater-dependent use.
- (b) The annual rent, as it currently exists or as adjusted or modified (the "Annual Rent"), is due and payable in full on or before the Commencement Date and on or before the same date of each year thereafter. Any payment not paid by State's close of business on the date due is past due.

4.2 Payment Place. Tenant shall make payment to Financial Management Division, 1111 Washington St SE, PO Box 47041, Olympia, WA 98504-7041.

4.3 Adjustment Based on Use. Annual Rent is based on Tenant's Permitted Use of the Property, as described in Section 2 above. If Tenant's Permitted Use changes, the Annual Rent shall be adjusted as appropriate for the changed use.

4.4 Rent Adjustment Procedures.

- (a) Notice of Rent Adjustment. State shall provide notice of adjustments to the Annual Rent allowed under Paragraphs 4.5 to Tenant in writing no later than ninety (90) days after the anniversary date of the Lease.
- (b) Procedures on Failure to make Timely Adjustment. If the State fails to provide the notice required in Paragraph 4.4(a), State shall not collect the adjustment amount for the year in which State failed to provide notice. Upon providing notice of adjustment, State may adjust and prospectively bill Annual Rent as if missed or waived adjustments had been implemented at the proper interval. This includes the implementation of any inflation adjustment.

4.5 Re-valuation of Rent for Nonwater-Dependent Uses.

- (a) At the end of the first five-year period of the Term, and at the end of each subsequent five-year period, State shall revalue the nonwater-dependent Annual Rent to reflect the then-current fair market rent.
- (b) Unless the parties otherwise agree in writing, the fair market rent shall be set by appraisal conducted by a qualified appraiser licensed in the State of Washington. The appraisal must comply with the Uniform Standards of Professional Appraisal Practice (USPAP), RCW 79.105.270 and WAC 332-30-125(3). No sooner than one year and no later than six months before the end of the first five-year period of the Term, and of each subsequent five-year period, State shall select an appraiser that is acceptable to both parties from State's pool of qualified expert independent appraisers, or, if no pool of qualified appraisers exists, through a request for proposal (RFP) for appraisal services consistent with State contracting requirements. Tenant will have the opportunity to review and comment on the RFP. Both State and Tenant shall be identified as co-clients and intended users

and will share the costs equally for the appraisal. The Statement of Work (SOW) for the appraisal assignment shall be as set forth in Exhibit C. State shall contact Tenant to discuss appraisal bids before selecting an appraisal firm. For thirty days following the receipt of the initial appraisal report, Tenant and State will each have an opportunity to review the appraisal report and jointly submit, through State, comments to the appraiser for clarification or correction of any of the report's content or conclusions. The objective of State and Tenant is to have an acceptable appraisal report. The appraiser shall use the appraiser's independent professional judgment regarding the contents and conclusions of the final appraisal report which shall be issued no later than 30 days after State submits the joint comments of the parties on the draft appraisal report. State and Tenant will be responsible for their own review costs.

SECTION 5 OTHER EXPENSES

5.1 Utilities. Tenant shall pay all fees charged for utilities required or needed by the Permitted Use.

5.2 Taxes and Assessments. Tenant shall pay all taxes (including leasehold excise taxes), assessments, and other governmental charges applicable or attributable to the Property, Tenant's leasehold interest, the improvements, or Tenant's use and enjoyment of the Property.

5.3 Right to Contest. If in good faith, Tenant may contest any tax or assessment at its sole cost and expense. At the request of State, Tenant shall furnish reasonable protection in the form of a bond or other security, satisfactory to State, against loss or liability resulting from such contest.

5.4 Proof of Payment. If required by State, Tenant shall furnish to State receipts or other appropriate evidence establishing the payment of amounts this Lease requires Tenant to pay.

5.5 Failure to Pay. If Tenant fails to pay amounts due under this Lease, State may pay the amount due, and recover its cost in accordance with Section 6.

SECTION 6 LATE PAYMENTS AND OTHER CHARGES

6.1 Failure to Pay Rent. Failure to pay rent is a default by the Tenant. State may seek remedies under Section 14 as well as late charges and interest as provided in this Section 6.

6.2 Late Charge. If State does not receive full rent payment within ten (10) days of the date due, Tenant shall pay to State a late charge equal to four percent (4%) of the unpaid amount or Fifty Dollars (\$50), whichever is greater, to defray the overhead expenses of State incident to the delay.

6.3 Interest Penalty for Past Due Rent and Other Sums Owed.

- (a) Tenant shall pay interest on the past due rent at the rate of one percent (1%) per month until paid, in addition to paying the late charges determined under Paragraph 6.2. Rent not paid by the close of business on the due date will begin accruing interest the day after the due date.
- (b) If State pays or advances any amounts for or on behalf of Tenant, Tenant shall reimburse State for the amount paid or advanced and shall pay interest on that amount at the rate of one percent (1%) per month from the date State notifies Tenant of the payment or advance. This includes, but is not limited to, State's payment of taxes of any kind, assessments, insurance premiums, costs of removal and disposal of materials or Improvements under any provision of this Lease, or other amounts not paid when due.

6.4 Referral to Collection Agency and Collection Agency Fees. If State does not receive full payment within thirty (30) days of the due date, State may refer the unpaid amount to a collection agency as provided by RCW 19.16.500 or other applicable law. Upon referral, Tenant shall pay collection agency fees in addition to the unpaid amount.

6.5 No Accord and Satisfaction. If Tenant pays, or State otherwise receives, an amount less than the full amount then due, State may apply such payment as it elects. State may accept payment in any amount without prejudice to State's right to recover the balance of the rent or pursue any other right or remedy. No endorsement or statement on any check, any payment, or any letter accompanying any check or payment constitutes accord and satisfaction.

6.6 No Counterclaim, Setoff, or Abatement of Rent. Except as expressly set forth elsewhere in this Lease, Tenant shall pay rent and all other sums payable by Tenant without the requirement that State provide prior notice or demand. Tenant's payment is not subject to counterclaim, setoff, deduction, defense or abatement.

SECTION 7 IMPROVEMENTS

7.1 Improvements Defined.

- (a) "Improvements," consistent with RCW 79.105 through 79.145, are additions within, upon, or attached to the land. This includes, but is not limited to, fill, structures, bulkheads, docks, pilings, and other fixtures.
- (b) "Personal Property" means items that can be removed from the Property without (1) injury to the Property or Improvements or (2) diminishing the value or utility of the Property or Improvements.
- (c) "State-Owned Improvements" are Improvements made or owned by State. State-Owned Improvements includes any construction, alteration, or addition to State-Owned Improvements made by Tenant.
- (d) "Tenant-Owned Improvements" are Improvements authorized by State and (1) made by Tenant or (2) acquired by Tenant from the prior tenant.

- (e) "Unauthorized Improvements" are Improvements made on the Property without State's prior consent or Improvements made by Tenant that do not conform to plans submitted to and approved by the State.

7.2 Existing Improvements. On the Commencement Date, the following Improvements are located on the Property: Aquarium composed of two buildings containing exhibits; concrete decking; wooden walkways; support pilings. The Improvements are Tenant-Owned Improvements.

7.3 Construction, Major Repair, Modification, and Demolition.

- (a) This Paragraph 7.3 governs construction, alteration, replacement, major repair, modification, demolition, and deconstruction of Improvements ("Work"). Section 11 governs routine maintenance and minor repair.
- (b) All Work must conform to requirements under Paragraph 7.4. Paragraph 11.3, which applies to routine maintenance and minor repair, also applies to all Work under this Paragraph 7.3.
- (c) Except in an emergency, Tenant shall not conduct Work, without State's prior written consent, which state will not unreasonably withhold.
 - (1) Except in an emergency, Tenant shall submit to State plans and specifications describing the proposed Work at least sixty (60) days before submitting permit applications to regulatory authorities unless Tenant and State otherwise agree to coordinate permit applications. At a minimum, or if no permits are necessary, Tenant shall submit plans and specifications at least ninety (90) days before commencement of Work.
 - (2) State waives the requirement for consent if State does not notify Tenant of its grant or denial of consent within sixty (60) days of submittal.
 - (3) In determining whether to consent state may consider, among other items, (i) whether proposed Work would change the Permitted Use, expand overwater structures, or expand non-water dependent uses; (ii) the value of the Improvements before and after the proposed Work; (iii) such other factors as may reasonably bear upon the suitability of the Improvements to provide the public benefits identified in RCW 79.105.030 in light of the proposed Work.
 - (4) If the proposed Work does not comply with Paragraphs 7.4 and 11.3 State may nonetheless consent to the Work in writing or deny its consent or condition its consent on changes to the Work or Lease reasonably intended to protect and preserve the Property. If Work is for removal of Improvements at End of Term, State may waive removal of some or all Improvements.
- (d) Tenant shall notify State of emergency Work within five (5) business days of the start of such Work. Upon State's request, Tenant shall provide State with plans and specifications or as-builts of emergency Work.
- (e) Tenant shall not commence or authorize Work until Tenant has:
 - (1) Obtained a performance and payment bond in an amount equal to one hundred twenty-five percent (125%) of the estimated cost of construction. Tenant shall maintain the performance and payment bond until Tenant

pays in full the costs of the Work, including all laborers and material persons. In lieu of a performance and payment bond Tenant may provide documentation satisfactory to DNR that sufficient expenditure allowances for the Work have been (i) made in the Tenant's Capital Improvement Program and budget adopted by Tenant's City Council and (ii) allocated to the Work.

- (2) Obtained all required permits.
- (f) Before completing Work, Tenant shall remove all debris and restore the Property to an orderly and safe condition. If Work is intended for removal of Improvements at End of Term, Tenant shall restore the Property in accordance with Paragraph 3.3, End of Term.
- (g) Upon completing work, Tenant shall promptly provide State with as-built plans and specifications.
- (h) State shall not charge rent for authorized Improvements installed by Tenant during this Term of this Lease. State may charge rent for such Improvements when and if Tenant or successor obtains a subsequent use authorization for the Property and State has waived the requirement for Improvements to be removed as provided in Paragraph 7.5, unless at the time State and Tenant or its successor execute such subsequent use authorization then existing laws and regulations permit State to authorize the permitted use of such Improvements, as identified in the subsequent use authorization, without charging rent for them.

7.4 Standards for Work.

- (a) Applicability of Standards for Work
 - (1) The standards for Work in Paragraph 7.4(b) apply to Work commenced in the five year period following the Commencement Date and to Proposed Facilities described in Exhibit B. Work has commenced if State has approved plans and specifications.
 - (2) If Tenant undertakes Work five years or more after the Commencement Date, Tenant shall comply with State's then current standards for Work.
 - (3) At Tenant's option, Tenant may ascertain State's current standards for Work as follows:
 - (i) Before submitting plans and specifications for State's approval as required by Paragraph 7.3 of the Lease, Tenant shall request State to provide Tenant with then current standards for Work on State-owned Aquatic Lands.
 - (ii) Within thirty (30) days of receiving Tenant's request, State shall provide Tenant with current standards for Work, which will be effective for the purpose of State's approval of Tenant's proposed Work provided Tenant submits plans and specifications for State's approval within two (2) years of Tenant's request for standards.
 - (iii) If State does not timely provide current standards upon Tenant's request, the standards under Paragraph 7.4(b) apply to Tenant's Work provided Tenant submits plans and specifications as required by Paragraph 7.3 within two (2) years of Tenant's request for standards.

- (iv) If Tenant fails to (1) make a request for current standards or (2) timely submit plans and specifications to State after receiving current standards, Tenant shall make changes in plans or Work necessary to conform to current standards for Work upon State's demand.
- (b) Standards for Work
 - (a) Tenant shall not install skirting on any overwater structure.
 - (b) Tenant shall not conduct in-water Work during time periods prohibited for such work under WAC 220-110-271, Prohibited Work Times in Saltwater, as amended, or as otherwise directed by the Washington Department of Fish and Wildlife (WDFW).

7.5 Tenant-Owned Improvements at End of Lease.

- (a) Disposition
 - (1) Tenant shall remove Tenant-Owned Improvements in accordance with Paragraph 7.3 upon the expiration, termination, or cancellation of the Lease unless State waives the requirement for removal.
 - (2) Tenant-Owned Improvements remaining on the Property on the expiration, termination or cancellation date shall become State-Owned Improvements without payment by State, unless State elects otherwise. State may refuse or waive ownership. If RCW 79.125.300 or 79.130.040 apply at the time this Lease expires, Tenant could be entitled to payment by the new tenant for Tenant-Owned Improvements.
 - (3) If Tenant-Owned Improvements remain on the Property after the expiration, termination, or cancellation date without State's consent, State may remove all Improvements and Tenant shall pay State's costs.
- (b) Conditions Under Which State May Waive Removal of Tenant-Owned Improvements.
 - (1) State may waive removal of some or all Tenant-Owned Improvements whenever State determines that it is in the best interests of the State and regardless of whether Tenant re-leases the Property.
 - (2) If Tenant re-leases the Property, State may waive requirement remove Tenant-Owned Improvements. State also may consent to Tenant's continued ownership of Tenant-Owned Improvements.
 - (3) If Tenant does not re-lease the Property, State may waive requirement to remove Tenant-Owned Improvements upon consideration of a timely request from Tenant, as follows:
 - (i) Tenant must notify State at least one (1) year before the Termination Date of its request to leave Tenant-Owned Improvements.
 - (ii) State, within ninety (90) days of receiving Tenant's notification, will notify Tenant whether State consents to some or all Tenant-Owned Improvements remaining. State has no obligation to grant consent.
 - (iii) State's failure to respond to Tenant's request to leave Improvements within ninety (90) days is a denial of the request.
- (c) Tenant's Obligations if State Waives Removal.
 - (1) Tenant shall not remove Improvements if State waives the requirement for removal of some or all Tenant-Owned Improvements.

- (2) Tenant shall maintain such Improvements in accordance with this Lease until the expiration, termination, or cancellation date. Tenant is liable to State for cost of repair if Tenant causes or allows damage to Improvements State has designated to remain.

7.6 Disposition of Unauthorized Improvements.

- (a) Unauthorized Improvements belong to State, unless State elects otherwise.
- (b) State may either:
 - (1) Consent to Tenant ownership of the Improvements, or
 - (2) Charge rent for use of the Improvements from the time of installation or construction and
 - (i) Require Tenant to remove the Improvements in accordance with Paragraph 7.3, in which case Tenant shall pay rent for the Improvements until removal, or
 - (ii) Consent to Improvements remaining and Tenant shall pay rent for the use of the Improvements, or
 - (iii) Remove Improvements and Tenant shall pay for the cost of removal and disposal, in which case Tenant shall pay rent for use of the Improvements until removal and disposal.

7.7 Disposition of Personal Property.

- (a) Tenant retains ownership of Personal Property unless Tenant and State agree otherwise in writing.
- (b) Tenant shall remove Personal Property from the Property by the Termination Date. Tenant is liable for damage to the Property and Improvements resulting from removal of Personal Property.
- (c) State may sell or dispose of all Personal Property left on the Property after the Termination Date.
 - (1) If State conducts a sale of Personal Property, State shall apply proceeds first to the State's administrative costs in conducting the sale, second to payment of amount that then may be due from the Tenant to the State. State shall pay the remainder, if any, to the Tenant.
 - (2) If State disposes of Personal Property, Tenant shall pay for the cost of removal and disposal.

SECTION 8 ENVIRONMENTAL LIABILITY/RISK ALLOCATION

8.1 Definitions.

- (a) "Hazardous Substance" means any substance that is now regulated or in the future becomes regulated under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. 9601 *et seq.*; Washington's Model Toxics Control Act ("MTCA"), Chapter 70.105 RCW; Washington's Sediment Management Standards, WAC Chapter 173-204; the Washington Clean Water Act, RCW 90.48, and associated regulations; and the

federal Water Pollution Control Act, 33 U.S.C. 1251 *et seq.*, and associated regulations, including future amendments to those laws and regulations.

- (b) "Release or threatened release of Hazardous Substance" means a release or threatened release as defined under any law described in Paragraph 8.1(a).
- (c) "Utmost care" means such a degree of care as would be exercised by a very careful, prudent, and competent person under the same or similar circumstances: the standard of care established under MTCA, RCW 70.105D.040.

8.2 General Conditions.

- (a) Grantee's obligations under this Section 8 extend to the area in, on, under, or above:
 - (1) The Property and
 - (2) Adjacent state-owned aquatic lands where a release or the presence of Hazardous Substances may arise from Grantee's use of the Property.
- (b) Standard of Care.
 - (1) Grantee shall exercise the utmost care with respect to Hazardous Substances.
 - (2) In relation to the Permitted Use, Grantee shall exercise utmost care for the foreseeable acts or omissions of third parties with respect to Hazardous Substances, and the foreseeable consequences of those acts or omissions, to the extent required to establish a viable, third-party defense under the law, including – but not limited to – RCW 70.105D.040.

8.3 Current Conditions and Duty to Investigate.

- (a) State makes no representation about the condition of the Property. Hazardous Substances may exist in, on, under, or above the Property or adjacent state-owned lands.
- (b) This Lease does not impose a duty on State to conduct investigations or supply information to Grantee about Hazardous Substances, provided, however, this Lease does not alter State's obligations to respond to requests for public documents under the Public Records Act, RCW 42.56. State will cooperate with Grantee's requests for public records and endeavor to provide the requested records promptly.
- (c) Grantee is responsible for conducting sufficient inquiries and gathering sufficient information concerning the Property and the existence, scope, and location of any Hazardous Substances on the Property or on adjacent lands to allow Grantee to meet Grantee's obligations under this Lease.

8.4 Use of Hazardous Substances.

- (a) Grantee, its, contractors, agents, employees, guests, invitees, or affiliates shall not use, store, generate, process, transport, handle, release, or dispose of Hazardous Substances, except in accordance with all applicable laws.
- (b) Grantee shall not undertake, or allow others to undertake by Grantee's permission, acquiescence, or failure to act, activities that:
 - (1) Result in a release or threatened release of Hazardous Substances, or

- (2) Cause, contribute to, or exacerbate any contamination exceeding regulatory cleanup standards whether the regulatory authority requires cleanup before, during, or after Grantee's use of the Property.
- (c) If use of Hazardous Substance related to the Permitted Use results in a violation of an applicable law Grantee shall submit to State any plans for remedying the violation and cleanup any contamination as required under Section 8.9.

8.5 Management of Contamination.

- (a) Grantee, its, contractors, agents, employees, guests, invitees, or affiliates shall not undertake activities that damage or interfere with the operation of remedial or restoration activities on the Property.
- (b) Grantee shall take reasonable steps to avoid or reduce human or environmental exposure to contaminated sediments and mechanical or chemical disturbance of on-site habitat mitigation. For purposes of this Subsection 8.5(b) reasonable steps may include access restrictions, fish consumption advisories, and use restrictions and advisories for water bodies.
- (c) Grantee it's, contractors, agents, employees, guests, invitees, or affiliates shall not interfere with access by:
 - (1) Employees and authorized agents of the Environmental Protection Agency, the Washington State Department of Ecology, health department, or other similar environmental agencies; and
 - (2) Potentially liable or responsible parties who are the subject of an order or consent decree that requires access to the Property. Grantee may negotiate an access agreement with such parties, but Grantee may not unreasonably withhold such agreement.

8.6 Notification and Reporting.

- (a) Grantee shall immediately notify State if Grantee becomes aware of any of the following:
 - (1) A release or threatened release of Hazardous Substances that Grantee reports or is required to report to the Washington Department of Ecology;
 - (2) Any new discovery of or new information about a problem or liability related to, or derived from, the presence or release of any Hazardous Substance;
 - (3) Any lien or regulatory action arising from the foregoing;
 - (4) Any actual or alleged violation of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances;
 - (5) Any notification from the US Environmental Protection Agency (EPA) or the Washington State Department of Ecology (DOE) that remediation or removal of Hazardous Substances is or may be required at the Property.
- (b) Grantee's duty to report under Paragraph 8.6(a) extends to the Property, adjacent state-owned aquatic lands where a release or the presence of Hazardous Substances arises from the Grantee's use of the Property, and any other property used by Grantee in conjunction with Grantee's use of the Property where a release or the presence of Hazardous Substances on the other property would affect the Property.

- (c) Grantee shall provide State with copies of all documents concerning environmental issues associated with the Property, and submitted by Grantee to any federal, state or local authorities. Documents subject to this requirement include, but are not limited to, applications, reports, studies, or audits for National Pollution Discharge and Elimination System Permits (NPDES); Army Corps of Engineers permits; State Hydraulic Project Approvals (HHPA); State Water Quality certification; Substantial Development permit; and any reporting necessary for the existence, location, and storage of Hazardous Substances on the Property.

8.7 Indemnification.

- (a) "Liabilities" as used in this Subsection 8.7 means any claims, demands, proceedings, lawsuits, damages, costs, expenses, fees (including attorneys' fees and disbursements), penalties, or judgments that are asserted by third parties against Grantor or that are incurred by Grantor in order to comply with applicable laws and regulations.
- (b) Grantee shall fully indemnify, defend, and hold State harmless from and against any Liabilities that arise out of, or relate to:
 - (1) The use, storage, generation, processing, transportation, handling, or disposal of any Hazardous Substance by Grantee, its contractors, agents, invitees, guests, employees, affiliates, licensees, or permittees occurring anytime Grantee uses or has used the Property;
 - (2) The release or threatened release of any Hazardous Substance, or the exacerbation of any Hazardous Substance contamination resulting from any act or omission of Grantee, its contractors, agents, employees, guests, invitees, or affiliates occurring anytime Grantee uses or has used the Property.
- (c) Grantee shall fully indemnify, defend, and hold State harmless for any Liabilities that arise out of or relate to Grantee's breach of obligations under Subsection 8.5.
- (d) Third Parties,
 - (1) Grantee has no duty to indemnify State for acts or omissions of third parties unless Grantee fails to exercise the standard of care required by Paragraph 8.2(b)(2). Grantee's third-party indemnification duty arises under the conditions described in Subparagraph 8.7(d)(2).
 - (2) If an administrative or legal proceeding arising from a release or threatened release of Hazardous Substances finds or holds that Grantee failed to exercise care as described in Subparagraph 8.7(d)(1), Grantee shall fully indemnify, defend, and hold State harmless from and against any liabilities arising from the acts or omissions of third parties in relation to the release or threatened release of Hazardous Substances. This includes any liabilities arising before the finding or holding in the proceeding.
- (e) Grantee is obligated to indemnify under the Subsection 8.7 regardless of whether a permit or license authorizes the discharge or release of Hazardous Substances.
- (f) Grantee's obligations under this indemnity provision shall not exceed the appropriation authorized at the time Grantee must fulfill its indemnity obligations and nothing in this Lease may be considered as insuring that Grantee will appropriate sufficient funds in the future to fulfill its indemnity obligations.

Appropriated funds that are subject to this indemnity obligation include, but are not limited to, funds in the Licensee's self-insurance program and in the Judgment Claims Subfund (00126) established by Ordinance 124088, and future moneys appropriated for the same purposes.

8.8 Reservation of Rights.

- (a) For any environmental liabilities not covered by the indemnification provisions of Subsection 8.7 or the cleanup provisions of Section 8.9, the Parties expressly reserve and do not waive or relinquish any rights, claims, immunities, causes of action, or defenses relating to the presence, release, or threatened release of Hazardous Substances that either Party may have against the other under law.
- (b) This Lease affects no right, claim, immunity, or defense either Party may have against third parties, and the Parties expressly reserve all such rights, claims, immunities, and defenses.
- (c) The provisions under this Section 8 do not benefit, or create rights for, third parties.
- (d) The allocations of risks, liabilities, and responsibilities set forth above do not release either Party from, or affect the liability of either Party for, claims or actions by federal, state, or local regulatory agencies concerning Hazardous Substances.

8.9 Cleanup.

- (a) If Grantee's Permitted Use, or Grantee's breach of its obligations under this Lease, results in contamination of the Property with Hazardous Substances, Grantee shall, at Grantee's sole expense, promptly take all actions necessary to report, investigate and remediate the Hazardous Substances in accordance with applicable law. Remedial actions may include, without limitation, treatment, removal, and containment.
- (b) Grantee's obligation to undertake a cleanup under Section 8 is limited to those instances where the Hazardous Substances exist in amounts that exceed the threshold limits of any applicable regulatory cleanup standards under Environmental Laws.
- (c) Grantee shall cooperate with the Department of Natural Resources in development of plans for remedial actions and Grantee shall not proceed with remedial actions without Department of Natural Resources approval of final plans, which shall not be unreasonably withheld, unless Grantee is ordered to proceed by a court or a regulatory agency with jurisdiction. Grantee's completion of a remedial actions is not an implied release from or waiver of any obligation for Hazardous Substances under this Lease.

8.10 Sampling by State, Reimbursement, and Split Samples.

- (a) Grantee shall conduct sediment sampling, if required, in accordance with Exhibit B.
- (b) State may conduct sampling, tests, audits, surveys, or investigations ("Tests") of the Property at any time to determine the existence, scope, or effects of Hazardous Substances.
- (c) If such Tests, along with any other information, demonstrate the existence, release, or threatened release of Hazardous Substances arising out of Grantee's

Permitted Use or any violation of Grantee's obligations under this Lease, Grantee shall promptly reimburse State for all costs associated with such Tests.

- (d) State shall not seek reimbursement for any Tests under this Subsection 8.10 unless State provides Grantee written notice of its intent to conduct any Tests at least thirty (30) calendar days prior to undertaking such Tests, except when such Tests are in response to an emergency. Grantee shall reimburse State for Tests performed in response to an emergency if State has provided such notice as is reasonably practical and Grantee would be required to reimburse State under section (c).
- (e) Grantee is entitled to observe State's collection of samples and obtain split samples of any Test samples obtained by State, but only if Grantee provides State with written notice requesting such samples within twenty (20) calendar days of the date of Grantee's receipt of notice of State's intent to conduct any non-emergency Tests. Grantee solely shall bear the additional cost, if any, of split samples. Grantee shall reimburse State for any additional costs caused by split sampling within thirty (30) calendar days after State sends Grantee a bill with documentation for such costs.
- (f) Within sixty (60) calendar days of a written request (unless otherwise required pursuant to Paragraph 8.6(c), above), either Party to this Lease shall provide the other Party with validated final data, quality assurance/quality control information, and chain of custody information, associated with any Tests of the Property performed by or on behalf of State or Grantee. There is no obligation to provide any analytical summaries or the work product of experts.

SECTION 9 ASSIGNMENT AND SUBLETTING

9.1 State Consent Required. Tenant shall not convey, transfer, or encumber any part of Tenant's interest in this Lease or the Property without State's prior written consent. In the event a special purpose district, including but not limited to a Metropolitan Park District, Park and Recreation District or Joint Park and Recreation District, is created for the management of City of Seattle parks and the district boundaries include the Property, State will not unreasonably withhold consent to an assignment of the Lease to such special purpose district.

- (a) In determining whether to consent to an assignment of the lease to a special purpose district, State may consider, among other items, the special purpose district's financial condition, managerial expertise and reputation, the nature of the special purpose district, the then-current value of the Property, and such other factors as may reasonably bear upon the suitability of the special purpose district as a tenant of the Property. State may refuse its consent to any conveyance, transfer, or encumbrance if it will result in a subdivision of the leasehold. Tenant shall submit information regarding any proposed transferee to State at least thirty (30) days prior to the date of the proposed transfer.
- (b) State reserves the right to condition its consent upon:
 - (1) changes in the terms and conditions of this Lease, including, but not limited to, the Annual Rent; and/or

- (2) the agreement of Tenant or transferee to conduct Tests for Hazardous Substances on the Property or on other property owned or occupied by Tenant or the transferee.
- (c) Each permitted transferee shall assume all obligations under this Lease, including the payment of rent. No assignment, sublet, or transfer shall release, discharge, or otherwise affect the liability of Tenant.
- (d) State's consent under this Paragraph 9.1 does not constitute a waiver of any claims against Tenant for the violation of any term of this Lease.

9.2 Rent Payments Following Assignment. The acceptance by State of the payment of rent following an assignment or other transfer does not constitute consent to any assignment or transfer.

9.3 Terms of Subleases.

- (a) Tenant shall submit the terms of all subleases to State for approval.
- (b) Tenant shall incorporate the following requirements in all subleases:
 - (1) The sublease must be consistent with and subject to all the terms and conditions of this Lease;
 - (2) The sublease must provide that this Lease controls if the terms of the sublease conflict with the terms of this Lease;
 - (3) The term of the sublease (including any period of time covered by a renewal option) must end before the Termination Date of the initial Term or any renewal term;
 - (4) The sublease must terminate if this Lease terminates for any reason;
 - (5) The subtenant must receive and acknowledge receipt of a copy of this Lease;
 - (6) The sublease must prohibit the prepayment to Tenant by the subtenant of more than the annual rent;
 - (7) The sublease must identify the rental amount subtenant is to pay to Tenant;
 - (8) The sublease must provide that there is no privity of contract between the subtenant and State;
 - (9) The sublease must require removal of the subtenant's Improvements and Personal Property upon termination of the sublease;
 - (10) The subtenant's permitted use must be within the scope of the Permitted Use; and
 - (11) The sublease must require the subtenant to meet all obligations of Tenant under Section 10, Indemnification, Financial Security, and Insurance.

SECTION 10 INDEMNITY, FINANCIAL SECURITY, INSURANCE

10.1 Indemnity.

- (a) Tenant shall indemnify, defend, and hold State, its employees, officers, and agents harmless from Claims arising out of the use, occupation, or control of the Property by Tenant, its subtenants, contractors, agents, invitees, guests, employees, affiliates, licensees, or permittees.

- (b) "Claim" as used in this Paragraph 10.1 means any financial loss, claim, suit, action, damages, expenses, fees (including attorneys' fees), penalties, or judgments attributable to bodily injury, sickness, disease, death, and damages to tangible property, including, but not limited to, land, aquatic life, and other natural resources. "Damages to tangible property" includes, but is not limited to, physical injury to the Property and damages resulting from loss of use of the Property.
- (c) State shall not require Tenant to indemnify, defend, and hold State harmless for claims that arise solely out of the willful or negligent act of State or State's elected officials, employees, or agents.
- (d) Tenant waives its immunity under Title 51 RCW to the extent it is required to indemnify, defend, and hold State and its agencies, officials, agents, or employees harmless.
- (e) Section 8, Environmental Liability/Risk Allocation, exclusively shall govern Tenant's liability to State for Hazardous Substances and its obligation to indemnify, defend, and hold State harmless for Hazardous Substances.
- (f) Tenant's obligations under this indemnity provision shall not exceed the appropriation authorized at the time Tenant must fulfill its indemnity obligations and nothing in this Lease may be considered as insuring that Tenant will appropriate sufficient funds in the future to fulfill its indemnity obligations. Appropriated funds that are subject to this indemnity obligation include, but are not limited to, funds in the Tenant's self-insurance program and in the Judgment Claims Subfund (00126) established by Ordinance 124088, and future moneys appropriated for the same purposes.

10.2 Insurance Terms.

- (a) Insurance Required.
 - (1) Tenant certifies that it is self-insured for all the liability exposures, including but not limited to employers' liability and business auto liability, and its self-insurance plan satisfies all State requirements, and its self-insurance plan provides coverage equal to that required in this Paragraph 10.2 and by Paragraph 10.3, Insurance Types and Limits. Tenant shall provide to State evidence of its status as a self-insured entity. Upon request by State, Tenant shall provide a written description of its financial condition and/or the self-insured funding mechanism. Tenant shall provide State with at least thirty (30) days' written notice prior to any material changes to Tenant's self-insured funding mechanism.
 - (2) All self-insurance provided in compliance with this Lease must be primary as to any other insurance or self-insurance programs afforded to or maintained by State as to any claims, suits, or damages that arise as a result of Tenant's operation of the Seattle Aquarium.
- (b) Waiver.
 - (1) Tenant waives all rights against State for recovery of damages to the extent self-insurance maintained pursuant to this Lease covers these damages.
 - (2) Except as prohibited by law, Tenant waives all rights of subrogation against State for recovery of damages to the extent that they are covered by self-insurance maintained pursuant to this lease.

- (c) Proof of Insurance
 - (1) Tenant shall provide State with a certification of self-insurance executed by a duly authorized representative of Tenant, showing compliance with insurance requirements specified in this Lease
 - (2) The certification of self-insurance must reference the Lease number.
 - (3) Receipt of such certification of self-insurance or policies by State does not constitute approval by State of the terms of such self-insurance or policies.
- (d) Tenant must provide State no less than 30 days notice if Tenant's self-insurance program is cancelled or materially reduced.
- (e) Adjustments in Insurance Coverage.
 - (1) State may impose changes in the limits of liability for all types of insurance as State deems necessary.
 - (2) Tenant shall provide a certification that meets the requirements of Section 10.2(c)(1) and demonstrates coverage in compliance with the Lease within thirty (30) days after State requires changes in the limits of liability.
- (f) If Tenant fails to provide the certification described above within fifteen (15) days after Tenant receives a notice to comply from State, State may either:
 - (1) Deem the failure an Event of Default under Section 14, or
 - (2) Procure and maintain comparable substitute insurance and pay the premiums. Upon demand, Tenant shall pay to State the full amount paid by State, together with interest at the rate provided in Paragraph 6.2 from the date of State's notice of the expenditure until Tenant's repayment
- (g) General Terms.
 - (1) State does not represent that coverage and limits required under this Lease are adequate to protect Tenant.
 - (2) Coverage and limits do not limit Tenant's liability for indemnification and reimbursements granted to State under this Lease.
 - (3) Except as provided under Section 12.1(c), the Parties shall use any self-insurance or other insurance proceeds payable by reason of damage or destruction to property first to restore the real property covered by this Lease, then to pay the cost of the reconstruction, then to pay the State any sums in arrears, and then to Tenant.

10.3 Insurance Types and Limits.

- (a) General Liability Insurance.
 - (1) Tenant shall maintain self-insurance with a limit of not less than One Million Dollars (\$1,000,000) per each occurrence and an aggregate limit of not less than twice any limit established for each occurrence.
- (b) Workers' Compensation.
 - (1) State of Washington Workers' Compensation.
 - (i) Tenant shall comply with all State of Washington workers' compensation statutes and regulations. Tenant shall provide workers' compensation coverage for all employees of Tenant. Coverage must include bodily injury (including death) by accident or disease, which arises out of or in connection with Tenant's use, occupation, and control of the Property.

- (ii) If Tenant fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Tenant shall indemnify State. Indemnity shall include all fines; payment of benefits to Tenant, employees, or their heirs or legal representatives; and the cost of effecting coverage on behalf of such employees.
- (2) Longshore and Harbor Workers' and Jones Acts. Longshore and Harbor Workers' Act (33 U.S.C. Section 901 *et seq.*) and/or the Jones Act (46 U.S.C. Section 688) may require Tenant to provide insurance coverage in some circumstances. Tenant shall ascertain if such insurance is required and, if required, shall maintain insurance in compliance with law. Tenant is responsible for all civil and criminal liability arising from failure to maintain such coverage.
- (c) Employers' Liability Insurance. Tenant shall maintain self-insurance that is equivalent to employers' liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than One Million Dollars (\$1,000,000) each incident for bodily injury by accident or One Million Dollars (\$1,000,000) each employee for bodily injury by disease.
- (d) Builder's Risk Insurance.
 - (1) Tenant shall procure and maintain in force, or require its contractor(s) to procure and maintain in force, builder's risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance must be written on a completed form and in an amount equal to the value of the completed building and/or Improvements, subject to subsequent modifications to the sum. The insurance must be written on a replacement cost basis. The insurance must name Tenant, all contractors, and subcontractors in the work as loss payees. State also must be named an additional loss payee.
 - (2) Insurance described above must cover or include the following:
 - (i) All risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse;
 - (ii) The entire work on the Property, including reasonable compensation for architect's services and expenses made necessary by an insured loss;
 - (iii) Portions of the work located away from the Property but intended for use at the Property, and portions of the work in transit;
 - (iv) Scaffolding, falsework, and temporary buildings located on the Property; and
 - (v) The cost of removing debris, including all demolition as made legally necessary by the operation of any law, ordinance, or regulation.
 - (3) Tenant or Tenant's contractor(s) is responsible for paying any part of any loss not covered because of application of a deductible contained in the policy described above.

- (4) Tenant or Tenant'(s) contractor shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by permitting authority. If testing is performed, such insurance must cover such operations. The insurance must name Tenant, all contractors, and subcontractors in the work as insured. State must be named additional insured as required by Paragraph 10.2(a)(3)).
- (e) Business Auto Policy Insurance.
 - (1) Tenant shall maintain self-insurance that is equivalent to business auto liability insurance and, if necessary, commercial umbrella liability insurance with a limit not less than One Million Dollars (\$1,000,000) per accident. Such insurance must cover liability arising out of "Any Auto".
 - (2) Coverage of automobiles used in Tenant's business must provide at least equivalent coverage to insurance written on ISO Form CA 001.

10.4 Financial Security.

- (a) At its own expense, Tenant shall procure and maintain during the Term of this Lease a corporate security bond or provide other financial security that State, at its option, may approve ("Security"). Tenant shall provide Security in an amount equal to Five Hundred Dollars (\$500.00), which is consistent with RCW 79.115.100, and secures Tenant's performance of its obligations under this Lease, with the exception of the obligations under Section 8, Environmental Liability/Risk Allocation. Tenant's failure to maintain the Security in the required amount during the Term constitutes a breach of this Lease.
- (b) All Security must be in a form acceptable to the State.
 - (1) Bonds must be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better, in the most recently published edition of Best's Reports, unless State approves an exception. Tenant may submit a request to the risk manager for the Department of Natural Resources for an exception to this requirement.
 - (2) Letters of credit, if approved by State, must be irrevocable, allow State to draw funds at will, provide for automatic renewal, and comply with RCW 62A.5-101, *et. seq.*
 - (3) Savings account assignments, if approved by State, must allow State to draw funds at will.
- (c) Adjustment in Amount of Security.
 - (1) State may require an adjustment in the Security amount:
 - (i) At the same time as revaluation of the Annual Rent.
 - (ii) As a condition of approval of assignment or sublease of this Lease.
 - (iii) Upon a material change in the condition or disposition of any Improvements, or
 - (iv) Upon a change in the Permitted Use.
 - (2) Tenant shall deliver a new or modified form of Security to State within thirty (30) days after State has required adjustment of the amount of the Security.

- (d) Upon any default by Tenant in its obligations under this Lease, State may collect on the Security to offset the liability of Tenant to State. Collection on the Security does not (1) relieve Tenant of liability, (2) limit any of State's other remedies, (3) reinstate or cure the default or (4) prevent termination of the Lease because of the default.

SECTION 11 ROUTINE MAINTENANCE AND REPAIR

11.1 State's Repairs. This Lease does not obligate State to make any alterations, maintenance, replacements, or repairs in, on, or about the Property, or any part thereof, during the Term.

11.2 Tenant's Repairs and Maintenance.

- (a) Routine maintenance and repair are acts intended to prevent a decline, lapse or cessation of the Permitted Use and associated Improvements. Routine maintenance or repair is the type of work that does not require regulatory permits.
- (b) At Tenant's own expense, Tenant shall keep and maintain the Property and all Improvements in good order and repair and in a safe condition. State's consent is not required for routine maintenance or repair.
- (c) At Tenant's own expense, Tenant shall make any additions, repairs, alterations, maintenance, replacements, or changes to the Property or to any Improvements on the Property that any public authority may require. If a public authority requires work beyond the scope of routine maintenance and repair, Tenant shall comply with Section 7 of this Lease.

11.3 Limitations. The following limitations apply whenever Tenant conducts maintenance, repair or replacement.

- (a) Tenant shall not use or install treated wood at any location above or below water, except that Tenant may use treated wood for above water structural framing.
- (b) Tenant shall not use or install tires (for example, floatation or fenders) at any location above or below water.
- (c) Tenant shall orient night lighting to minimize the amount of light shining directly on the water.

SECTION 12 DAMAGE OR DESTRUCTION

12.1 Notice and Repair.

- (a) In the event of damage to or destruction of the Property or Improvements, Tenant shall promptly give written notice to State. State does not have actual knowledge of the damage or destruction without Tenant's written notice.
- (b) Unless otherwise agreed in writing or pursuant to section (c) below, Tenant shall promptly reconstruct, repair, or replace the Property and Improvements as nearly as possible to its condition immediately prior to the damage or destruction in accordance with Paragraph 7.3, Construction, Major Repair, Modification, and Demolition and Tenant's additional obligations in Exhibit B, if any.

- (c) If the damage or destruction occurs within the last five (5) years of the Lease Term, or, if the cost to repair or replace the Tenant Owned Improvements is fifty percent or more of the total value of the Tenant Owned Improvements immediately before such damage or destruction, then Tenant may elect, by written notice to the State within ninety (90) days after the date of the damage or destruction, to terminate this Lease. In the event Tenant elects to terminate this Lease, the Lease shall terminate as of the date notice was provided and Tenant shall remove the Improvements in accordance with Sections 3.3 and 7 unless State waives the requirement of removal.

If Tenant does not elect to terminate this Lease, Tenant shall repair or restore the Property and Improvements as nearly as possible to its condition immediately prior to the damage or destruction or construct thereon such other improvements as may be approved by State, subject to the provisions of Section 7.

In the event Tenant terminates this Lease in accordance with the provisions of this Subsection, Tenant shall provide State with State's Share of any Insurance Proceeds. For purposes of this Section the term "Insurance Proceeds" shall mean all payments received by Tenant, and Tenant's affiliate(s) and subtenant(s), if any, as a result of damage or destruction of the Improvements from policies that insure the Improvements against damage or destruction and are provided by third-party insurance carriers, not to include Tenant's self insurance program. State's Share and Tenant's Share of the Insurance Proceeds shall be based on the ratio of the fair market value of Tenant's Interest and State's Interest in the Lease and Improvements. Tenant's Interest shall be the fair market value of the leasehold estate and Tenant-Owned Improvements, immediately preceding the damage or destruction, ("Tenant's Interest"), and State's Interest shall be the fair market value of State-Owned Improvements and State's reversionary interest in the Tenant-Owned Improvements, immediately preceding the damage or destruction, ("State's Interest"). If Tenant and State are unable to agree on the allocation, the fair market value of Tenant's Interest and State's Interest shall be determined by appraisal in accordance with Section 4.5.

If Tenant is in default at the time of termination State shall be entitled to the portion of the Tenant's Share of the Insurance Proceeds that is equal to the cost of curing Tenant's default.

12.2 State's Waiver of Claim. State does not waive any claims for damage or destruction of the Property unless State provides written notice to Tenant of each specific claim waived.

12.3 Insurance Proceeds. Tenant's duty to reconstruct, repair, or replace any damage or destruction of the Property or any Improvements on the Property is not conditioned upon the availability of any insurance proceeds to Tenant from which the cost of repairs may be paid. The Parties shall use insurance proceeds in accordance with Paragraph 10.2(g)(3).

12.4 Rent in the Event of Damage or Destruction. Unless the Parties agree to adjust or abate the rent, there is no abatement or reduction in rent during reconstruction, repair, or replacement of Improvements.

12.5 Default at the Time of Damage or Destruction. If Tenant is in default under the terms of this Lease at the time damage or destruction occurs, State may elect to terminate the Lease and State then shall have the right to retain any insurance proceeds payable as a result of the damage or destruction.

SECTION 13 CONDEMNATION

13.1 Definitions.

- (a) "Taking" means that an entity authorized by law exercises the power of eminent domain, either by judgment, settlement in lieu of judgment, or voluntary conveyance in lieu of formal court proceedings, over all or any portion of the Property and Improvements. This includes any exercise of eminent domain on any portion of the Property and Improvements that, in the judgment of the State, prevents or renders impractical the Permitted Use.
- (b) "Date of Taking" means the date upon which title to the Property or a portion of the Property passes to and vests in the condemner or the effective date of any order for possession if issued prior to the date title vests in the condemner.

13.2 Effect of Taking. If there is a taking, the Lease terminates proportionate to the extent of the taking. If this Lease terminates in whole or in part, Tenant shall make all payments due and attributable to the taken Property up to the date of taking. If Tenant has pre-paid rent and Tenant is not in default of the Lease, State shall refund Tenant the pro rata share of the pre-paid rent attributable to the period after the date of taking.

13.3 Allocation of Award.

- (a) The Parties shall allocate the condemnation award based upon the ratio of the fair market value of (1) Tenant's leasehold estate and Tenant-Owned Improvements and (2) State's interest in the Property; the reversionary interest in Tenant-Owned Improvements, if any; and State-Owned Improvements, if any.
- (b) If Tenant and State are unable to agree on the allocation, the Parties shall submit the dispute to binding arbitration in accordance with the rules of the American Arbitration Association.

SECTION 14 DEFAULT AND REMEDIES

14.1 Default Defined. Tenant is in default of this Lease on the occurrence of any of the following:

- (a) Failure to pay rent or other expenses when due;
- (b) Failure to comply with any law, regulation, policy, or order of any lawful governmental authority;

- (c) Failure to comply with any other provision of this Lease;
- (d) Commencement of bankruptcy proceedings by or against Tenant or the appointment of a trustee or receiver of Tenant's property.

14.2 Tenant's Right to Cure.

- (a) A default becomes an "Event of Default" if Tenant fails to cure the default within the applicable cure period following State's written notice of default. Upon an Event of Default, State may seek remedies under Paragraph 14.3.
- (b) Unless expressly provided elsewhere in this Lease, the cure period is sixty (60) days for failure to pay rent or other monetary defaults; for other defaults, the cure period is thirty (30) days.
- (c) For nonmonetary defaults not capable of cure within thirty (30) days, State will not unreasonably withhold approval of a reasonable alternative cure schedule. Tenant must submit a cure schedule within thirty (30) days of a notice of default. The default is not an Event of Default if State approves the schedule and Tenant works diligently and in good faith to execute the cure. The default is an Event of Default if Tenant fails to timely submit a schedule or fails to cure in accordance with an approved schedule.

14.3 Remedies.

- (a) Upon an Event of Default, State may terminate this Lease and remove Tenant by summary proceedings or otherwise.
- (b) If the Event of Default (1) arises from Tenant's failure to comply with restrictions on Permitted Use and operations under Paragraph 2.2 or (2) results in damage to natural resources or the Property, State may enter the Property without terminating this Lease to (1) restore the natural resources or Property and charge Tenant restoration costs and/or (2) charge Tenant for damages. On demand by State, Tenant shall pay all costs and/or damages.
- (c) Without terminating this Lease, State may relet the Property on any terms and conditions as State may decide are appropriate.
 - (1) State shall apply rent received by reletting: (1) to the payment of any indebtedness other than rent due from Tenant to State; (2) to the payment of any cost of such reletting; (3) to the payment of the cost of any alterations and repairs to the Property; and (4) to the payment of rent and leasehold excise tax due and unpaid under this Lease. State shall hold and apply any balance to Tenant's future rent as it becomes due.
 - (2) Tenant is responsible for any deficiency created by the reletting during any month and shall pay the deficiency monthly.
 - (3) At any time after reletting, State may elect to terminate this Lease for the previous Event of Default.
- (d) State's reentry or repossession of the Property under Paragraph 14.3 is not an election to terminate this Lease or cause a forfeiture of rents or other charges. Tenant is obligated to pay during the balance of the Term, unless (1) State gives Tenant written notice of termination or (2) a legal proceeding decrees termination.

- (e) The remedies specified under this Paragraph 14.3 are not exclusive of any other remedies or means of redress to which the State is lawfully entitled for Tenant's breach or threatened breach of any provision of this Lease.

SECTION 15 ENTRY BY STATE

State may enter the Property at any reasonable hour to inspect for compliance with the terms of this Lease, to monitor impacts to habitat, or survey habitat and species. Tenant grants State permission to cross Tenant's upland and aquatic land property to access the Property. State shall provide at least 24 hours notice before entering Tenant's property. State's failure to inspect the Property does not constitute a waiver of any rights or remedies under this Lease.

SECTION 16 DISCLAIMER OF QUIET ENJOYMENT

16.1 No Guaranty or Warranty.

- (a) State believes that this Lease is consistent with the Public Trust Doctrine and that none of the third-party interests identified in Paragraph 1.1(b) will materially or adversely affect Tenant's right of possession and use of the Property, but State makes no guaranty or warranty to that effect.
- (b) State disclaims and Tenant releases State from any claim for breach of any implied covenant of quiet enjoyment. This disclaimer and release includes, but is not limited to, interference arising from exercise of rights under the Public Trust Doctrine; Treaty rights held by Indian Tribes; and the general power and authority of State and the United States with respect to aquatic lands and navigable waters.
- (c) Tenant is responsible for determining the extent of Tenant's right to possession and for defending Tenant's leasehold interest.

16.2 Eviction by Third-Party. If a third-party evicts Tenant, this Lease terminates as of the date of the eviction. In the event of a partial eviction, Tenant's rent obligations abate as of the date of the partial eviction, in direct proportion to the extent of the eviction; this Lease shall remain in full force and effect in all other respects.

SECTION 17 NOTICE AND SUBMITTALS

Following are the locations for delivery of notice and submittals required or permitted under this Lease. Any Party may change the place of delivery upon ten (10) days written notice to the other.

State: DEPARTMENT OF NATURAL RESOURCES
Shoreline District
950 Farman Avenue
Enumelaw, WA 98022-9282

Tenant: SEATTLE DEPARTMENT OF PARKS AND RECREATION
100 Dexter Ave N
Seattle, WA 98109

The Parties may deliver any notice in person, by facsimile machine, or by certified mail. Depending on the method of delivery, notice is effective upon personal delivery, upon receipt of a confirmation report if delivered by facsimile machine, or three (3) days after mailing. All notices must identify the Lease number. On notices transmitted by facsimile machine, the Parties shall state the number of pages contained in the notice, including the transmittal page, if any.

SECTION 18 MISCELLANEOUS

18.1 Authority. Tenant and the person or persons executing this Lease on behalf of Tenant represent that Tenant is qualified to do business in the State of Washington, that Tenant has full right and authority to enter into this Lease, and that each and every person signing on behalf of Tenant is authorized to do so. Upon State's request, Tenant shall provide evidence satisfactory to State confirming these representations.

18.2 Successors and Assigns. This Lease binds and inures to the benefit of the Parties, their successors, and assigns.

18.3 Headings. The headings used in this Lease are for convenience only and in no way define, limit, or extend the scope of this Lease or the intent of any provision.

18.4 Entire Agreement. This Lease, including the exhibits and addenda, if any, contains the entire agreement of the Parties. This Lease merges all prior and contemporaneous agreements, promises, representations, and statements relating to this transaction or to the Property.

18.5 Waiver.

- (a) The waiver of any breach or default of any term, covenant, or condition of this Lease is not a waiver of such term, covenant, or condition; of any subsequent breach or default of the same; or of any other term, covenant, or condition of this Lease. State's acceptance of a rental payment is not a waiver of any preceding or existing breach other than the failure to pay the particular rental payment that was accepted.
- (b) The renewal of the Lease, extension of the Lease, or the issuance of a new lease to Tenant, does not waive State's ability to pursue any rights or remedies under the Lease.

18.6 Cumulative Remedies. The rights and remedies under this Lease are cumulative and in addition to all other rights and remedies afforded by law or equity or otherwise.

18.7 Time is of the Essence. TIME IS OF THE ESSENCE as to each and every provision of this Lease.

18.8 Language. The word "Tenant" as used in this Lease applies to one or more persons and regardless of gender, as the case may be. If there is more than one Tenant, their obligations are joint and several. The word "persons," whenever used, shall include individuals, firms, associations, and corporations. The word "Parties" means State and Tenant in the collective. The word "Party" means either or both State and Tenant, depending on the context.

18.9 Invalidity. The invalidity, voidness, or illegality of any provision of this Lease does not affect, impair, or invalidate any other provision of this Lease.

18.10 Applicable Law and Venue. This Lease is to be interpreted and construed in accordance with the laws of the State of Washington. Venue for any action arising out of or in connection with this Lease is in the Superior Court for Thurston County, Washington.

18.11 Statutory Reference. Any reference to a statute means that statute as presently enacted or hereafter amended or superseded.

18.12 Recordation. At Tenant's expense and no later than thirty (30) days after receiving the fully-executed Lease, Tenant shall record this Lease in the county in which the Property is located. Tenant shall include the parcel number of the upland property used in conjunction with the Property, if any. Tenant shall provide State with recording information, including the date of recordation and file number. If Tenant fails to record this Lease, State may record it and Tenant shall pay the costs of recording upon State's demand.

18.13 Modification. No modification of this Lease is effective unless in writing and signed by both Parties. Oral representations or statements do not bind either Party.

18.14 Survival. Any obligations of Tenant not fully performed upon termination of this Lease do not cease, but continue as obligations of the Tenant until fully performed.

18.15 Exhibits. All referenced exhibits are incorporated in the Lease unless expressly identified as unincorporated.

THIS AGREEMENT requires the signature of all Parties and is effective on the date of the last signature below.

SEATTLE DEPARTMENT OF PARKS AND
RECREATION

Dated: _____, 20__

By: _____
CHRISTOPHER WILLIAMS

Title: Acting Superintendent

Address: 100 Dexter Ave N
Seattle, WA 98109

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: _____, 20__

By: _____
PETER GOLDMARK

Title: Commissioner of Public Lands

Address: Shoreline District Aquatics
950 Farman Ave N
Enumclaw, WA 98022-9282

Approved as to form this
17 day of June, 2013
Terence Pruitt, Assistant Attorney General

REPRESENTATIVE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss
County of)

I certify that I know or have satisfactory evidence that CHRISTOPHER WILLIAMS is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the ACTING SUPERINTENDENT of SEATTLE DEPARTMENT OF PARKS AND RECREATION to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated:

(Seal or stamp)

(Signature)

(Print Name)

Notary Public in and for the State of
Washington, residing at _____

My appointment expires _____

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)

) ss

County of)

I certify that I know or have satisfactory evidence that PETER GOLDMARK is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the COMMISSIONER OF PUBLIC LANDS, and ex officio administrator of the DEPARTMENT OF NATURAL RESOURCES of the State of Washington to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(Seal or stamp)

(Signature)

(Print Name)

Notary Public in and for the State of
Washington, residing at _____

My appointment expires _____

EXHIBIT A

AGREEMENT NUMBER: 22-080795

STATE APPROVED RECORD OF SURVEY: King County Recording Number
20130711900005

LEGAL DESCRIPTION OF THE PROPERTY: That portion of the harbor area in front of Lot 1 and a portion of Lot 2, Block 176, vacated Pike Street, and Lots 9 through 12, Block 173, Supplemental Sheet 27 of Seattle Tide Lands, described as follows:

Beginning at Point 8', being an angle point in the Inner Harbor Line,

thence S 24°13'44" E along the Inner Harbor Line a distance of 82.60 feet,

thence N 88°51'56" W a distance of 33.00 feet,

thence S 01°08'04" W a distance of 11.50 feet,

thence N 88°51'56" W a distance of 37.00 feet,

thence N 01°08'04" E a distance of 11.50 feet,

thence N 88°51'56" W a distance of 305.00 feet,

thence S 01°08'04" W a distance of 8.00 feet,

thence N 88°51'56" W a distance of 21.61 feet to the Outer Harbor Line,

thence N 47°41'47" W along the Outer Harbor line a distance of 172.76 feet,

thence S 88°51'56" E a distance of 147.00 feet,

thence N 01°08'04" E a distance of 107.75 feet,

thence N 88°51'56" W a distance of 8.25 feet,

thence N 01°08'04" E a distance of 62.00 feet,

thence N 88°51'56" W a distance of 65.75 feet,

thence N 01°08'04" E a distance of 49.94 feet more or less to the Inner Harbor Line,

thence S 47°41'47" E along the Inner Harbor Line a distance of 380.95 feet to Point 8' and the Point of Beginning.

All as shown upon the Supplemental Maps of Seattle Tide Lands on file in the office of the Commissioner of Public Lands at Olympia, Washington.

Containing 84,819.0 sf

Bearings refer to Washington North Zone NAD 83/91 as established via Puget Sound Reference Network.

SQUARE FOOTAGE OF EACH USE CLASSIFICATION:

Total leasehold area (plan view): 84,819.0 Square Feet

Water-dependent: 0 Square Feet

Nonwater-dependent (includes multiple floors for the purpose of calculating rent): 19,576 Square Feet

Public Access: 77,518 Square Feet (as of January 2013)

EXHIBIT B PLAN OF OPERATIONS

1. DESCRIPTION OF PERMITTED USE

- A. Existing Facilities.** The site contains the Seattle Aquarium, which spans Piers 59 and 60.
- B. Proposed Facilities.** Tenant proposes no new facilities

2. ADDITIONAL OBLIGATIONS

None

EXHIBIT C STATEMENT OF WORK (SOW)

Summary Identification: Washington State Department of Natural Resources Aquatics (DNR Aquatics) currently manages the aquatics land lease (Aquatic Land Lease No. 22-080795) commonly known as the Seattle Aquarium in Seattle, King County, Washington. The Lease, under Section 4.5(b), requires the revaluation of the annual non-water dependent rent every 5 years, until the Lease expires in 2033. The appraisal assignment is to develop and report the current fair market rent of the subject property consistent with WAC 332-30-125(3) and RCW 79.105.270.

Client: DNR Aquatics and Seattle Department of Parks and Recreation are the Clients for this assignment.

Intended Users: DNR and Seattle Department of Parks and Recreation are intended users. No other intended users are noted.

Purpose & Intended Use: The purpose and intended use of the appraisal is to develop and report the current fair market rent of the subject property for the Aquatic Land Lease described above to be used in the upcoming rental period under Section 4.5(b) of said lease.

Appraisal Standards: The appraisal report must conform to the Uniform Standards of Professional Appraisal Practice (USPAP-current Edition) or current appraisal standards required by law in effect as of the report date. RCW 79.105.270 and WAC 332-30-125(3) "Aquatic land use rental rates for nonwater-dependent uses" shall be used/followed in determining market rent. A complete and thorough Highest and Best Use analysis must be developed and supported as part of this assignment. Additional DNR supplemental standards and reporting requirements are applicable and described below.

Report Format: The appraisal must be reported in a Self-Contained format and comply with USPAP 2-2(a) or current appraisal reporting standards required by law in effect as of the report date. The report will be subject to review and the appraiser will be required to clarify any issues in writing. Failure to do so may result in the report being considered unacceptable. A copy of this Statement of Work must be included in the Addenda of your appraisal report. **Two (2) hard copies, as well as one (1) electronic copy on CD of the report will be required.**

Market Value: *"The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress."* [The Dictionary of Real Estate Appraisal, 5th Edition]

Market Rent: "The most probable rent, as of a specific date, in cash or in terms equivalent to cash, for which the property to be leased, under the terms and conditions of the Lease, should

rent for its highest and best permitted use after reasonable exposure in a competitive market under all conditions requisite to a fair leasing opportunity, with the lessor and the lessee each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”[36 CFR 18.2(e)]

Property Description: The subject is described as the aquatic lands commonly known as Elliot Bay, which is a harbor area located in King County, Washington. The property is known as the “Seattle Aquarium”. See attached Aquatic Lands Lease #22-080795 including Exhibit “A”, for a description of the subject property. The portion of the property that is subject to this assignment is the described “non-water” dependent use.

Legal Description: The W ½, SE 1/4 Section 31, Township 25 North, Range 4, W.M.

Ownership/Occupant: The owner is the State of Washington, acting through the Department of Natural Resources. The lessee is Seattle Department of Parks and Recreation.

Zoning: As part of the assignment, the appraiser must research and confirm the correct zoning for the property.

Property Access: The subject is accessed via Alaskan Way.

Property Interest: The rights to be appraised are the right to use and occupy the subject property for “nonwater-dependent use” for the term of Aquatic Lands Lease #22-080795.

Date of Value: The date of value shall be the date of the beginning of the next 5 year period.

Extraordinary Assumption(s): *“An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.”* [USPAP 2012-2013 Edition]

Unless otherwise noted or discussed with the client, the appraiser may not assume or invoke any extraordinary assumption without documented written instruction by the client.

Hypothetical Condition(s): *“A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”* [USPAP 2012-2013 Edition]

None allowed without documented written instruction by the client.

Jurisdictional Exception: *“An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.”* [USPAP 2012-2013 Edition]

WAC 332-30-125 and RCW 79.105.270 pertain “Aquatic land use rental rates for nonwater-dependent uses” and must be followed. If the appraiser perceives that USPAP’s Jurisdictional

Exception Rule should be invoked to meet certain statute/law, the appraiser must contact the client to discuss and obtain written approval.

Special Instructions: The State and Tenant will share the cost of the appraisal equally. Therefore, the appraiser will bill for ½ of the assignment to each party.

Supplemental Standards: In addition to the above, DNR requires the following in all appraisal reports:

- Written report of contact with owner (other than DNR), including dates and methods of contact, whether owner accompanied the appraiser during inspection, and general comments and communications between the appraiser and the owner.
- A minimum of five sales required in the market approach. Include photos (aerial photos of large tracts, regular at grade photographs of smaller parcels).
- Data on similar property listings/offers of properties in the immediate neighborhood, when relevant, and in addition to comparable sales.
- Recent color aerial photos of subject (provided by DNR). Topographical map, site map, etc., are required as relevant to the valuation assignment.
- Confirmation data to identify the source, telephone number, and appraiser who conducted the confirmation interview.

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Parks and Recreation	Terry Dunning/ 684-4860	Jeff Muhm/ 684-8049

Legislation Title:

AN ORDINANCE authorizing the Superintendent of Parks and Recreation to execute and accept from the State of Washington, Department of Natural Resources, (DNR) on behalf of the City of Seattle an Aquatic Lands Lease for the Seattle Aquarium; and ratifying and confirming certain prior acts.

Summary of the Legislation: This legislation authorizes the Superintendent of Parks and Recreation to execute an Aquatic Lands Lease with the State Department of Natural Resources (DNR) lands at the Seattle Aquarium.

Background: This proposed lease replaces and expands on a prior lease with DNR which expired in 2005. In the new lease, the rent being charged by DNR is higher than in the expired lease due to building improvements made by the Aquarium and the expansion of the office space within the building. The proposed lease has a term of 30 years commencing on November 1, 2013. Most of the Aquarium property is leased from DNR rent free; however, a smaller area which is used for commercial uses associated with the Aquarium or for administrative space that could be provided from an off-site location is subject to rent.

The Seattle Aquarium is largely constructed upon Pier 59 which is mostly the property of DNR; the Aquarium occupies 84,819 square feet of DNR property. The structure is, in part, two stories and 77,518 square feet of the building is characterized as "public" and therefore is not subject to rental fees from DNR. Another portion of the building, 19,576 square feet, is characterized as "non-water dependent, non-public" space, including the aquarium store and offices, and DNR requires that the City pay rent for that portion of the building. The rent calculation is based on comparable properties in the vicinity of the Aquarium. The use of the comparable method for determining rent is defined in both Statute and Regulations promulgated by DNR.

Ordinance 123235 (2009) authorized an Agreement for the Operation and Management of the Aquarium by the Seattle Aquarium Society (SEAS). Among the many conditions of this Agreement is an assignment of responsibility for operating expenses, including rent, for the facility to SEAS. Therefore, the annual rent of \$83,940.32 (including leasehold excise tax of \$9,551.52) will be the responsibility of SEAS. Rent will be adjusted every 5 years of the thirty-year term to reflect current market rates in effect at the time.

The proposed rent reflects current conditions on the site including recent improvements constructed by SEAS. The prior rent under the expired agreement was approximately \$18,000 per year. That rent was for a smaller facility with an inaccurate understanding and depiction of

the "non-water dependent, commercial uses" on the site.

Please check one of the following:

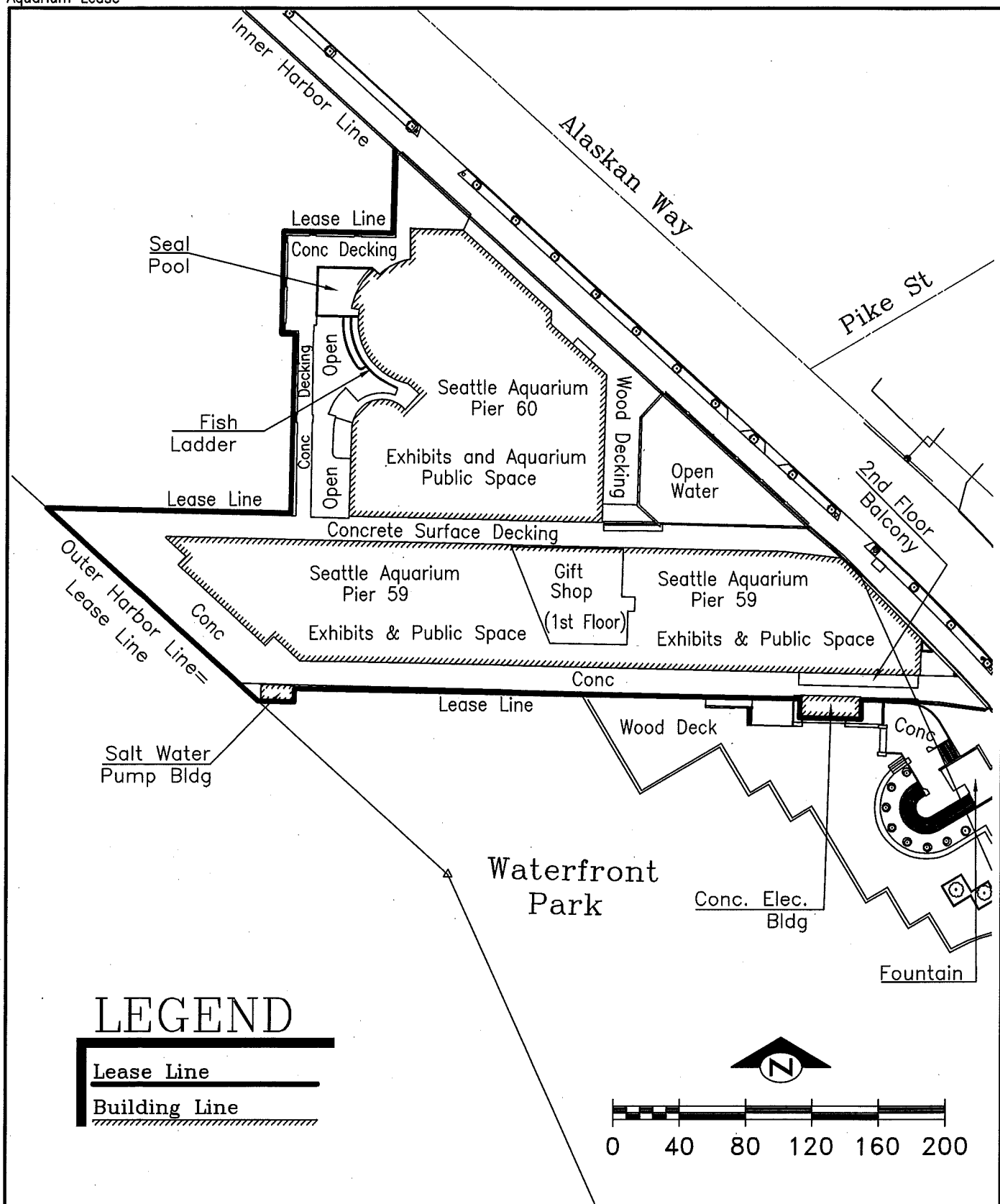
 x **This legislation does not have any financial implications.**

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
The fees associated with this lease will be paid by the Seattle Aquarium Society. In the event they are unable to meet their obligations the City would be responsible for the annual fees.
- b) **What is the financial cost of not implementing the legislation?**
The Aquarium Society would not be legally occupying the site without a lease from DNR.
- c) **Does this legislation affect any departments besides the originating department?**
No
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None
- e) **Is a public hearing required for this legislation?** No
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No
- g) **Does this legislation affect a piece of property?**
Yes, Pier 59 on the Seattle waterfront.
- h) **Other Issues:** None

List attachments to the fiscal note below:

Attachment 1 Map of Leased Area



Seattle Aquarium Lease Area

DRAWN prb

DATE 10/28/2013

SCALE 1" = 80'



City of Seattle
Office of the Mayor

November 12, 2013

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill that authorizes the Superintendent of Parks and Recreation to sign a lease with the State Department of Natural Resources (DNR) for space on Pier 59 for the Seattle Aquarium. The proposed Bill will authorize a thirty-year lease under terms that have been negotiated with DNR, assuring the continued right of the Aquarium to occupy DNR property.

Since it opened in 1977, the Seattle Aquarium has leased DNR property on Pier 59. While the Seattle Aquarium Society (SEAS) is responsible for the operation and maintenance of the Aquarium, the City remains the owner of the building and is responsible for securing the property rights at the site. Most of the Aquarium property is leased from DNR rent free; however, the Aquarium store and administrative offices are deemed a non-public use and are subject to a DNR rental fee. Based upon the 2009 Agreement between SEAS and the City, authorized by Ordinance 123235, (SEAS) is responsible for paying the rent required by DNR.

This new lease will provide site security as the Aquarium moves forward with additions or changes for the duration of the lease's thirty-year term. Should you have questions, please contact Terrance Dunning at 684-4860.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council